

**SENATE, No. 2104**

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**STATE OF NEW JERSEY**

**215th LEGISLATURE**

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INTRODUCED JUNE 25, 2012

**Sponsored by:**

**Senator JENNIFER BECK**

**District 11 (Monmouth)**

**Senator ANTHONY R. BUCCO**

**District 25 (Morris and Somerset)**

**Co-Sponsored by:**

**Senators T.Kean and Bateman**

**SYNOPSIS**

Increases the State earned income tax credit from 20 percent to 25 percent of the federal earned income tax credit over two taxable years.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 7/27/2012)**

1 AN ACT increasing the State earned income tax credit as a  
2 percentage of the federal earned income tax credit, amending  
3 P.L.2000, c.80.

4  
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
6 *of New Jersey:*

7  
8 1. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read  
9 as follows:

10 2. There is established the New Jersey Earned Income Tax  
11 Credit program in the Division of Taxation in the Department of the  
12 Treasury.

13 a. (1) A resident individual who is eligible for a credit under  
14 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.  
15 s.32) shall be allowed a credit for the taxable year equal to a  
16 percentage, as provided in paragraph (2) of this subsection, of the  
17 federal earned income tax credit that would be allowed to the  
18 individual or the married individuals filing a joint return under  
19 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.  
20 s.32) for the same taxable year for which a credit is claimed  
21 pursuant to this section, subject to the restrictions of this subsection  
22 and subsections b., c., d. and e. of this section.

23 (2) For the purposes of the calculation of the New Jersey earned  
24 income tax credit, the percentage of the federal earned income tax  
25 credit referred to in paragraph (1) of this subsection shall be:

26 (a) 10% for the taxable year beginning on or after January 1,  
27 2000, but before January 1, 2001;

28 (b) 15% for the taxable year beginning on or after January 1,  
29 2001, but before January 1, 2002;

30 (c) 17.5% for the taxable year beginning on or after January 1,  
31 2002, but before January 1, 2003;

32 (d) 20% for taxable years beginning on or after January 1, 2003,  
33 but before January 1, 2008;

34 (e) 22.5% for taxable years beginning on or after January 1,  
35 2008 but before January 1, 2009;

36 (f) 25% for taxable years beginning on or after January 1, 2009  
37 but before January 1, 2010; **[and]**

38 (g) 20% for taxable years beginning on or after January 1, 2010,  
39 but before January 1, 2013;

40 (h) 22.5% for taxable years beginning on or after January 1,  
41 2013, but before January 1, 2014; and

42 (i) 25% for taxable years beginning on or after January 1, 2014.

43 (3) To qualify for the New Jersey earned income tax credit, if  
44 the claimant is married, except for a claimant who files as a head of  
45 household or surviving spouse for federal income tax purposes for

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is  
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 the taxable year, the claimant shall file a joint return or claim for  
2 the credit.

3 b. In the case of a part-year resident claimant, the amount of  
4 the credit allowed pursuant to this section shall be pro-rated, based  
5 upon that proportion which the total number of months of the  
6 claimant's residency in the taxable year bears to 12 in that period.  
7 For this purpose, 15 days or more shall constitute a month.

8 c. The amount of the credit allowed pursuant to this section  
9 shall be applied against the tax otherwise due under N.J.S.54A:1-1  
10 et seq., after all other credits and payments. If the credit exceeds the  
11 amount of tax otherwise due, that amount of excess shall be an  
12 overpayment for the purposes of N.J.S.54A:9-7; provided however,  
13 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit  
14 provided under this section as a credit against the tax otherwise due  
15 and the amount of the credit treated as an overpayment shall be  
16 treated as a credit towards or overpayment of gross income tax,  
17 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be  
18 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

19 d. The Director of the Division of Taxation in the Department  
20 of the Treasury shall have discretion to establish a program for the  
21 distribution of earned income tax credits pursuant to the provisions  
22 of this section.

23 e. Any earned income tax credit pursuant to this section shall  
24 not be taken into account as income or receipts for purposes of  
25 determining the eligibility of an individual for benefits or assistance  
26 or the amount or extent of benefits or assistance under any State  
27 program and, to the extent permitted by federal law, under any State  
28 program financed in whole or in part with federal funds.

29 (cf: P.L.2010, c.27, s.1)

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31 2. This act shall take effect immediately and apply to taxable  
32 years beginning on or after January 1, 2013.

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### 35 STATEMENT

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37 The bill increases the State earned income tax credit from 20  
38 percent to 25 percent of the federal earned income tax credit over  
39 two taxable years. The purpose of this bill is to restore the State  
40 earned income tax credit to its highest previous rate in recognition  
41 of the State's improved fiscal climate relative to State fiscal year  
42 2011. By increasing the State earned income tax credit, the bill  
43 mitigates the pressure of ever rising costs-of-living for lower  
44 income workers.

45 The bill schedules the increase to occur in two and one-half  
46 percent increments for taxable years 2013 and 2014. After 2014,  
47 the bill maintains the total five percent rate increase for future  
48 taxable years.